EMF SITE REDEVELOPMENT APPROPRIATION REQUEST BRIEF SHEET

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The Electronic Manufacturing Facility (EMF) Site is part of the Boeing Airplane Company 75-year leasehold at King County International Airport. The size of the site is about 250,000 square feet. It has not been actively used by the Boeing Company for several years. The EMF Building is obsolete and therefore not used for anything but storage. The site is unproductive for the Airplane Company and does not contribute to the Airport's mission of serving the community and supporting the community's economy. At the same time, the Airport is "land poor" and needs more aircraft ramp parking space.

The EMF site was used for aircraft production in World War II and was somewhat contaminated with chemical spills. Boeing has already completed some clean up and is presently under no requirement to do more. Although the detected ground contamination was cleaned up by Boeing in the past, the site is believed to still be somewhat contaminated with chemicals in the ground under the building itself. The building must be removed to determine how much clean up is needed and to do the cleanup. It is expected that redevelopment of the site will likely trigger further clean up expenses. Boeing estimates additional clean up costs for the site at about \$2 to \$4 million. Boeing fully accepts the responsibility for this clean up and intends to conduct the work in the future. So far it has been less expensive for Boeing to pay rent than to do redevelopment and trigger the clean up. Consequently, the site remains possibly contaminated, unproductive and unused in the face of unmet demand for more space at the Airport.

King County International Airport (KCIA) occupies only about 620 acres yet is among the busiest airports in the nation in terms of aircraft operations. In comparison to other airports, KCIA is land-poor. The Airport often finds it necessary to juggle aircraft parking due to the lack of aircraft space. For example, the Airport currently has an inventory of only two slots large enough to accommodate large 747 or C-5 size aircraft in the public ramp area. One of these two slots can only be used if a tenant using the space is asked to temporarily relocate to another inconvenient area. Other tenants are similarly effected. Aircraft parking disruption also often occurs in order to accommodate visiting heads of state, cargo shipments of 777 aircraft engines, military flights, flights which must clear customs, weather diversions or other such operations.

Faced with this need for space; in keeping with the County's efforts to stimulate economic development and to redevelop underutilized industrial lands; and, to get the site cleaned up, the Airport encouraged Boeing to return the EMF site to productive use. The Airport's lease with Boeing specifies that the EMF building become the Airport's building at the end of the lease term. We therefore suggested to Boeing that the Airport would be willing to remove the obsolete EMF building now in order to allow the ground under the building to be cleaned up if Boeing offered to return a clean site to the Airport

for redevelopment. This induced Boeing to prepare a proposal to assign the lease for the EMF site.

It was Boeing's and the Airport's preference that King County directly obtain the leasehold back from Boeing if an agreeable arrangement could be reached. Advantages to King County are:

- 1. Site is cleared and cleaned up earlier;
- 2. Site is placed back into County control rather than tied up with an assignee for 35 more years thus providing KCIA greater flexibility;
- 3. Risk of demolition and clean up is shifted to Boeing at a fixed cost to KCIA;
- 4. The transaction documents higher leasehold value for purposes of future rent adjustments;
- 5. It increases possibilities for use of the south end arrivals building; and
- 6. The arrangement is far less complex without a third party assignee.

The Airport offered Boeing a payment contingent upon Council approval to remove the EMF building from the site to allow Boeing to proceed with its ground contamination clean up and then return the site to the Airport. After negotiation the offer was accepted so we are seeking an appropriation of \$1.8 million for these purposes. The amount is based upon a Facilities Management detailed demolition cost estimate of \$1.2 million plus an amount to recognize the value of obtaining the leasehold back now rather than 35 years from now and the risk Boeing assumes in our behalf doing the demolition work. Boeing also developed its own estimate of demolition costs but the agreed upon payment is a negotiated figure which includes leasehold value. Boeing indicated their estimate of leasehold value at about \$900,000 plus the demolition cost.

RECOMMENDATION:

The Airport recommends that:

- 1. we continue to pursue redevelopment of the EMF site as soon as possible; and
- 2. the County Council appropriate \$1.8 million in Airport funds necessary to remove the building and obtain a clean site.